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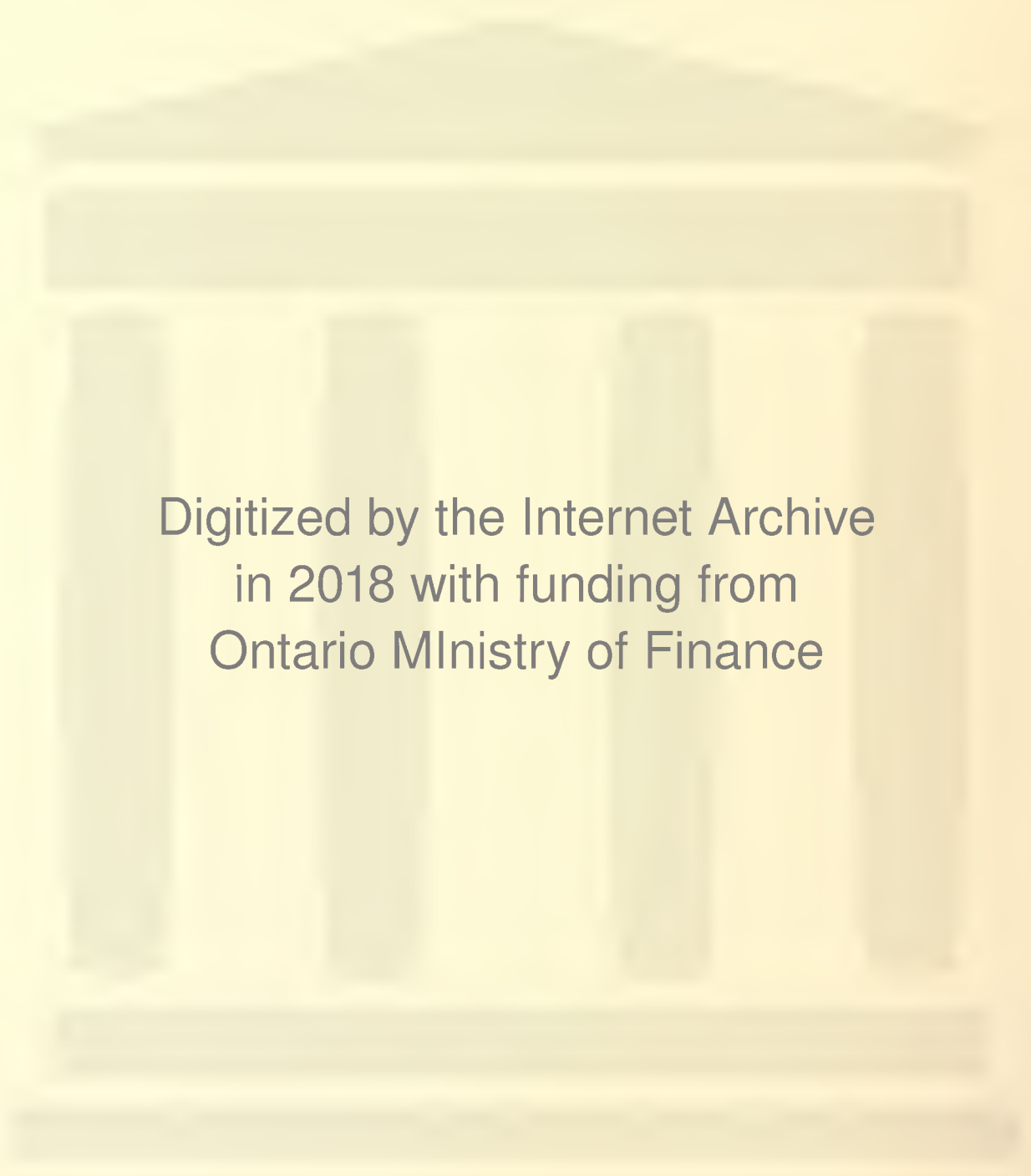
Standing Committee on Public Accounts

Special Report on the Estimates Process



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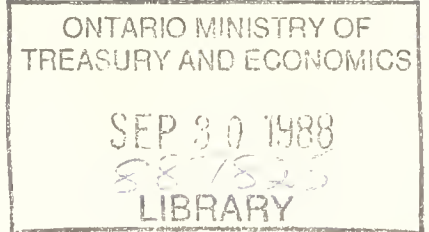
1st Session, 34th Parliament
37 Elizabeth II



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**STANDING COMMITTEE
ON PUBLIC ACCOUNTS**

**Special Report
on
the Estimates Process**

**1st Session, 34th Parliament
37 Elizabeth II**

STANDING COMMITTEE ON
PUBLIC ACCOUNTS



LEGISLATIVE ASSEMBLY
ASSEMBLÉE LÉGISLATIVE

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Queen's Park
June 1988

The Honourable Hugh Edighoffer, M.P.P.,
Speaker of the Legislative Assembly.

Sir,

Your Standing Committee on Public Accounts has the honour
to present its Report and commends it to the House.

A handwritten signature in dark ink, reading "Ed Philip".

Ed Philip, M.P.P.,
Chairman.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

MEMBERSHIP AS OF MONDAY, 23 NOVEMBER 1987

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TABLE OF CONTENTS

Page No.

INTRODUCTION	1
SUMMARY OF THE AUDITOR'S REPORT	1
PAST PROPOSALS FOR ESTIMATES REFORM IN ONTARIO	2
CONCERNS REGARDING THE ESTIMATES PROCESS	3
Procedural Concerns	3
Quality of Information Inputs	5
Adequacy of Resources	5
Attitudinal Concerns	6
ISSUES RELATED TO STRUCTURAL REFORMS	6
Approaches in Other Jurisdictions	7
Implications of a Specialized Estimates Committee	8
Comprehensiveness of Ministry Coverage Important	8
Integration of Committees' Work Needed	10
RECOMMENDATIONS	11
Establishment of Standing Committee on Estimates	11
Process for Selection of Ministries for Review	11
Schedule for Estimates Process	11
Power to Recommend Reallocation of Funding Within a Vote	12
Information Inputs	12
Resources	12
APPENDIX A Standing Committee on Public Accounts: Terms of Reference	

Introduction

On April 14, the Public Accounts Committee reviewed the Auditor's concerns regarding the Estimates process in the Ontario Legislature, and his recommendations for reform of the process and strengthening of the accountability cycle. The Committee discussed the findings and recommendations in the context of past concerns expressed by committees of the Legislature, and in light of reform initiatives elsewhere.

Summary of the Auditor's Report

Section 2.1 of the Auditor's 1987 Report describes the accountability cycle in a parliamentary democracy such as Ontario's. Based on this description, Section 2.2 opens with the statement, "It is obvious from the preceding section . . . that the Estimates are the cornerstone of Government's financial accountability to the Legislature". It goes on to observe, "Far from being effective, the process of Estimates review is sadly deficient".

The Report notes concerns which have been expressed through the years by committees of the Legislature. To obtain current views on the process, the Auditor's staff conducted interviews with various members from all three parties, and found, "The perception of the Estimates process was unanimously negative. . . [Estimates] are seen as form without substance." Potential exists for improvements in a number of areas, discussed in detail later in this report:

- Problems were noted with Estimates procedures, including delays in review, inconsistencies in the level of scrutiny relative to expenditures, deviations from the planned schedule, and the inability to change individual items in the Estimates.
- Another area of problems concerned the quality and nature of information provided to the Legislature as a basis for its scrutiny of Estimates.
- A final problem arose from the pressures on the time and resources of MPPs. The Report concluded, based on the discussions with members, that even the extensive time allocated to the Estimates at present was insufficient to allow a proper scrutiny of government's proposed expenditures, and that members lacked the resources and time to seriously undertake this task.

The Auditor's Report noted that a number of observers had commented on the "lack of attention and commitment by elected members to the content of the Estimates". Perhaps stemming in some measure from the problems noted above, members tended to use the extensive amount of time allotted to Estimates review for discussion of either broad policy issues or constituency matters, rather than detailed financial scrutiny.

The Report then outlined a possible solution to these problems which has received considerable support from legislative committees during the past several years, and which was also endorsed by the individual members interviewed by the Auditor's staff: "a specialized committee examining a selected number of estimates . . . with stable membership who could develop expertise in financial issues, with qualified non-partisan research staff, and sufficient resources to take an in-depth look at Government financial plans".

The Report concludes:

"We support the view that the key to the Legislature assuming more effective control of financial accountability is a revised committee system. . . We further suggest that the [proposed] committee coordinate its work with that of the Standing Committee on Public Accounts and the Office of the Provincial Auditor [through an integrated process of scrutiny]. . . We believe it is in the interest of the Standing Committee on Public Accounts to play a lead role in campaigning for reform in this area."

Past Proposals for Estimates Reform in Ontario

As noted in the Auditor's Report, the Estimates process has been a matter of concern to the Legislature for some time. The Committee reviewed the concerns which have been expressed by the Public Accounts Committee and other committees of the Legislature in the past:

1980 The Standing Committee on Procedural Affairs, in a report on reforms to the committee system, recommended the establishment of a Finance and Economic Affairs Committee, to which all Estimates would be referred. The proposed Committee was to focus on a few sets of Estimates each year.

- 1982 The 1982 Report of the Public Accounts Committee found the Estimates process to be ". . . all but a total failure. . . an enormous yet pointless drain on the time of the Members of the Assembly, Ministers, and ministry staff", and endorsed the recommendation of the Procedural Affairs Committee regarding a specialized committee for Estimates.
- 1983 The Auditor's 1983 Report noted concerns about the Estimates process and recommended that the Public Accounts Committee consider the matter.
- 1984 The 1984 Report of the Public Accounts Committee re-emphasized the concerns and findings of the 1980 and 1982 Reports.
- 1985 The Standing Committee on the Legislative Assembly (formerly the Procedural Affairs Committee) issued a report recommending a number of changes to the procedures and functioning of the Legislative Assembly. The report essentially repeated the findings and recommendations of the 1980 report with respect to the Estimates process: it recommended the establishment of a Finance and Economic Affairs Committee which would review six selected ministries each year, " . . . to which the Estimates and all related documents shall be deemed to have been referred immediately the said documents are tabled".

Concerns Regarding the Estimates Process

The Committee discussed the various concerns noted in the Auditor's Report, noting relevant examples from other jurisdictions in reforming the legislative expenditure review process.

Procedural Concerns

The Committee discussed the Auditor's concerns with regard to Estimates procedures:

- **Timeliness:** Estimates are often considered almost at the end of the fiscal year to which they apply, almost a year after the applicable Budget has been tabled.
- **Inconsistencies in planned review:** The time allocated to scrutiny of a ministry's estimates often bears little relation to the magnitude of funds involved.
- **Deviations from the planned schedule:** The tendency of Estimates to backlog at yearend means that, whatever the plan, in practice some ministries receive only cursory review and others receive none at all.

- Inability to change individual items in the Estimates: The Auditor found that the fact that non-approval of any part of the Budget is taken as a vote of non-confidence in the Government "weakens the Legislature's control of expenditures and detracts from a backbencher's feeling that he or she has input in the workings of government".

The Committee discussed means by which these problems could be addressed, drawing on the findings from their trip to Ottawa and Washington D.C. in March 1988 to study approaches to accountability in those jurisdictions. With regard to the timing of Estimates scrutiny, the federal example was noted. Recent reforms to the federal budget and Estimates process require that federal Estimates must be tabled by March 15 of each year, and committee scrutiny must be completed by June 10. Hence federal Estimates review is completed during the first quarter of the fiscal year in question. The Auditor's staff expressed support for this approach.

The Committee then considered the potential of in-depth scrutiny of a small number of selected Estimates as a way to overcome the problems of inconsistent scrutiny and deviations from planned scrutiny. The Committee expressed some concerns about the implications of this approach, which are outlined below in the section on structural reform.

As well, the Committee discussed the issue that a reduction or change in any item in the Estimates is considered as a matter of non-confidence. The view was expressed that the Legislature should be able to change or reduce items in the Estimates.

Recent federal reforms in this area were also noted. In 1985, the McGrath Committee's Report on the Reform of the House of Commons had called for "attitudinal change" such that diminution or elimination of an item in the Estimates would not be taken as a vote of non-confidence in the government. The federal government has accepted this recommendation in principle.

More recently, the federal Public Accounts Committee has recommended, in its Twelfth Report, May 1988, that "the Government not consider a reduction in the Estimates as a matter of non-confidence".

Quality of Information Inputs

The Committee reviewed the Auditor's concerns about the quality of information upon which Estimates scrutiny is based. The Auditor's interviews with members had found that Estimates information was likened to "a phone book", while the information in Ministry briefing books was considered to vary in content and quality.

Federal reforms in this area were noted. In 1979, the Lambert Commission had expressed serious concerns about the quality of information provided to Parliament, leading to reform of the content and presentation of Estimates information. These reforms attempt to more clearly establish the linkages between line-item funding inputs, on the one hand, and the program activities, outputs, and performance supported by these inputs, on the other hand. They represent an attempt to respond to similar pressures as those faced by Ontario: the rapid growth and increasing complexity of government spending, and the growing difficulty in identifying the relationships between funding and results. The new Estimates are not intended to supply all the information that Parliament might require for Estimates review, but rather are intended to serve as a "road map", leading members to the information they need.

It was emphasized that access to information was essential to ensure accountability, not only with regard to the Estimates process, but indeed with respect to all the work of the Legislature. It was felt that the votes under which monies were approved by the Legislature were not always indicative of the actual expenditures which were made, and that committees should "have the right to see the paperwork behind it".

Adequacy of Resources

The Committee also considered the Auditor's concerns about the insufficient time and resources available to members to conduct a proper scrutiny of the

Estimates. Although substantial time — 420 hours — is already dedicated to Estimates review, the Auditor found that, ". . . the total number of hours assigned to Estimates is not sufficient to allow meaningful review of the full range of government programs". However, the Report also noted the many other demands placed on MPPs and their staff, and concluded, based on discussions with members, that "elected members have neither the knowledge, the time, nor the resources to seriously examine government expenditures".

It was noted that the United States legislative budget process is supported by extensive staff resources. The House Appropriations Committee has some 70 staff, while the House Budget Committee is not only assisted by its own 30 staff, but is also the core client of the non-partisan Congressional Budget Office, with some 260 staff. The Senate Appropriations and Budget Committees also have extensive staff resources. Within the Canadian federal government, recent reforms have also increased committee staff and budgets.

The Committee agreed that staff resources were essential to assist members to conduct a detailed review of government's proposed expenditures.

Attitudinal Concerns

The Auditor had noted, in his Report, the fact that members seldom actually conducted detailed scrutiny of the proposed expenditures in the Estimates, using the time instead to discuss broad policy matters or to raise constituency matters with the Minister and his or her officials. Members of the Committee agreed with this observation, describing the Estimates as "a travesty " . . "a charade".

Issues Related to Structural Reforms

The Committee discussed the structural reform recommended by the Auditor, i.e. a single Estimates committee reviewing selected ministries each year in depth, in terms of its capability to address the problems noted above, as well as its potential shortcomings.

Approaches in Other Jurisdictions

The experience of other jurisdictions was reviewed. It was noted that the U.S. government, the federal government, and the Ontario government have all found it necessary during the past two decades to develop a specialized capacity to consider matters related to budget spending and taxing totals and fiscal matters. Although this has strengthened the capability of the legislature to assess the "big picture" of the budget, concerns still remain about the legislature's capability to examine expenditure proposals at a detailed level.

The federal government faces problems similar to Ontario's, of heavy burdens on the standing committees on policy, and pressures for greater specialization within the legislature. The issue is how to allocate the following functions to committees:

- scrutiny of past departmental activities via review of the Annual Reports;
- review of departmental Estimates to continue current activities and fund proposed new activities;
- review of legislation altering or increasing the future activities of departments.

It was noted that federal reform proposals have been directed at hiving off one or another of these functions to a specialized body or bodies. In 1983, the Special Committee on Standing Orders and Procedure recommended the creation of a Standing Committee on Expenditure Proposals to reduce the burden of Estimates on committees. In 1985, the McGrath Committee on the Reform of the House of Commons took a different approach, recommending that the legislative scrutiny function be hived off to specialized temporary committees, leaving the standing committees free to focus on scrutiny of departmental activities and proposed expenditures. This recommendation was adopted by the federal government. More recently, however, the federal Public Accounts Committee has recommended that the Estimates review function also be given to a specialized standing committee, with membership from the Public Accounts Committee and the standing committees. This recommendation has been drawn from their examination of approaches to accountability in several European Parliaments.

In Ontario, in 1985, the Legislative Assembly Committee recommended specialization for two of the three functions — temporary committees for each piece of proposed legislation, and a specialized committee, the Standing Committee on Finance and Economic Affairs, to which all departmental Estimates and related documents would immediately stand referred once tabled. The Standing Orders as amended established the Finance and Economic Affairs Committee, but did not explicitly provide that the Estimates were to be referred to the Committee. As noted by the Auditor, the Committee has not to date conducted any scrutiny of Estimates. As such, the standing committees of the Ontario Legislature continue to carry a heavy burden of all three functions, within which Estimates review sometimes becomes the lowest priority.

Drawing on the Committee's findings during the trip to Washington D.C., it was noted that the development of a central executive budget in the U.S. government had led to the establishment of a single Appropriations Committee (the equivalent of a specialized Estimates committee) as early as 1921.

Implications of a Specialized Estimates Committee

The Committee discussed the implications of a specialized Estimates committee conducting in-depth scrutiny of selected Estimates each year, noting some potential concerns which would have to be addressed in the design of such a committee. The Committee's concerns fell into two main categories:

- the need for a mechanism to ensure that all ministries received legislative scrutiny, so that an in-depth focus on selected ministries did not result in other ministries escaping scrutiny for lengthy periods of time, and
- the need for integration of the proposed Estimates Committee's work with the work of the Public Accounts Committee and other standing committees.

Comprehensiveness of Ministry Coverage Important

Several members of the Committee expressed concern that in-depth scrutiny of selected ministries inevitably meant that other ministries would escape scrutiny of their Estimates for one or more years. It was felt that this would

undermine accountability for the ministries not receiving scrutiny. It was suggested that review of all ministries each year, even if it were less intense, would ensure greater accountability than in-depth review of selected ministries. A related concern was also expressed that some smaller or low-profile ministries might be reviewed only infrequently if at all.

On the other hand, both Committee members and staff of the Auditor's Office expressed concern that under the present Estimates system, none of the ministries are subjected to a rigorous scrutiny of their proposed expenditures, and that this also undermines accountability. In-depth scrutiny of different ministries each year -- the system used by the Auditor's Office in its audit work -- would, it was suggested, lead to much stronger accountability than does the current system.

The Committee discussed these concerns about coverage of ministries. It was suggested that the proposed Estimates Committee would presumably plan and publicize its work year by year, rather than having a four or five-year schedule, and that all ministries would be equally likely to be called in any one year. The mechanism proposed by the Standing Committee on the Legislative Assembly -- that each party would select two ministries for estimates review -- was also discussed. It was suggested that this mechanism could be strengthened if the Estimates committee supplemented its in-depth investigation of selected ministries with a system of written questions to other ministries on specific matters of interest within their estimates. The ministries' responses to these questions would be reviewed by the Estimates Committee and its staff, and the Committee would then decide whether to call in the ministry for questioning.

It was further noted that ministries could also be held to account through several other means -- the daily Question Period, the review of ministries' Annual Reports by the standing committees, and the post-expenditure audit and review by the Auditor and the Public Accounts Committee. It was suggested that comprehensiveness of scrutiny would be enhanced if the standing committees also adopted a mechanism whereby all three parties had input into the selection and scheduling of ministry reviews. In combination, it was felt, these approaches would actually offer strengthened accountability, through in-depth reviews of ministries from several different perspectives.

Integration of Committees' Work Needed

The Committee noted that there should be linkages between the work of the proposed Estimates committee and the Public Accounts Committee. Staff of the Provincial Auditor outlined their intended approach: following scrutiny of a ministry's Estimates by the Estimates Committee, the Office of the Auditor would audit how the ministry had spent the monies approved by the Estimates committee, and assess whether the concerns expressed by the Estimates committee had been met. The Public Accounts Committee could then, as part of its annual work, review the Auditor's findings on those ministries, thus providing a "real, detailed review of a series of ministries from their estimates to their actuals every year". It was felt that a searching, in-depth review by an Estimates committee would give the Auditor "a very good basis" for his review, and that it would enable the Auditor to provide the Public Accounts Committee with "a much better assessment" of a ministry's activities.

Another concern was related to the linkages between the expenditure scrutiny to be carried out by the proposed Estimates Committee, and the policy scrutiny to be carried out by the standing committees. The view was expressed that, although the present system did place a burden on the standing committees, it offered advantages through its integration of the policy and financial aspects of scrutiny. The extent to which the two were separable was questioned.

The relationship between the proposed Estimates Committee and the Finance and Economic Affairs Committee represented a final area where integration might be beneficial. The pre-budget consultations by the Finance and Economic Affairs Committee carried out prior to tabling of the Estimates would be of use to the Estimates Committee. In turn, the findings of the Estimates Committee on specific ministry estimates would provide valuable information to the Finance and Economic Affairs Committee in conducting their pre-budget consultations for the following year.

Recommendations

Establishment of Standing Committee on Estimates

The Committee recommends that a Standing Committee on the Estimates, chaired by a member of the Opposition, be established to conduct annual in-depth scrutiny of selected ministry Estimates. In order to enhance coordination of Estimates review with the work of the Public Accounts Committee and thus to strengthen the accountability cycle, it is further recommended that the membership of the Estimates committee include three members from the Public Accounts Committee, one from each party, one of whom shall chair the Estimates Committee.

Process for Selection of Ministries for Review

The Committee endorses the process for selection of ministries for estimates review which was recommended by the Standing Committee on the Legislative Assembly in its Fourth Report: that the Estimates Committee review six sets of Estimates a year, to be chosen by all three parties. The first ministry to be reviewed would be chosen by the Official Opposition, the second by the Third Party, the third by the Government Party, and the remaining three in the same sequence.

In order to enhance the thoroughness and comprehensiveness of scrutiny of all ministries, the Committee further recommends that the Estimates Committee also adopt a procedure whereby written questions on matters of particular concern would be submitted to ministries not receiving in-depth review. Under this procedure, the Estimates Committee would review the responses, and, at its discretion, call in ministries for further questioning.

Schedule for Estimates Process

The Committee notes its concern that Estimates scrutiny is frequently not completed until the final months of the fiscal year under review. The Committee recommends that the Estimates Committee establish a schedule for completion of Estimates review.

Committee Power to Reallocate Funding Within a Vote

The Committee shares the Auditor's concern that the lack of ability to change any item in the Estimates "weakens the Legislature's control and detracts from a backbencher's feeling that he or she has input in the working of government". The Committee recommends that the Estimates Committee be given the power to recommend reallocation of funding within each vote.

Information Inputs

The Committee notes its concern about the limited information provided to the Legislature as a basis for Estimates scrutiny. The Committee recommends that the Estimates Committee give high priority to a comprehensive review of the form and content of Estimates information.

Resources

The Committee notes the Auditor's finding that "qualified, non-partisan research staff" for the Estimates Committee are essential if improved accountability is to be achieved. The Committee agrees with this finding, and recommends that the Estimates Committee be supported by research staff as deemed necessary by the Estimates Committee. It is further recommended that this research staff be provided by the Legislative Research Service through incremental resources. The Committee wishes to emphasize that the work of the Estimates Committee's research staff must be coordinated with the work of its own staff so as to further strengthen the accountability cycle.

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Terms of Reference

Standing Order 90 (i)

Standing Committee on Public Accounts which is empowered to review and report to the House its observations, opinions and recommendations on the Report of the Provincial Auditor and the Public Accounts, which documents shall be deemed to have been permanently referred to the Committee as they become available;

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ISBN 0-7729-4277-3